

FISCAL NOTE

HB 1584 - SB 1905

March 18, 1997

SUMMARY OF BILL: Proposes tax reform in the following manner:

- Repeals Hall Income Tax
- Reduces state sales tax from 6% to 5.5%
- Imposes broad-based income tax of 3% with a \$4,000 personal exemption.

State and local government funds impacted by the reduction in collections of sales tax and the Hall Income Tax would be held harmless using funds generated from the new income tax. The bill would take effect January 1, 1998.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$15,000,000 Recurring
\$20,000,000 One Time**

Increase State Revenues / Net Impact - \$1,554,000,000

Assumes an increase in state expenditures for establishment and administration of a broad-based income tax. Estimate assumes approximately 20 million tax forms from employers and 2 million tax returns filed annually. One time costs include development and implementation of automated systems and start up costs.

Also assumes a decrease in state revenues of \$446 million from the repeal of the Hall Income Tax and the reduction of the state sales tax, offset by an increase in state revenues of \$2 billion from the imposition of the income tax.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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